

Message Text

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ACTION EB-07

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 314

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TAGS: EFIN, EIND, EINV, CO

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. DIRECT FOREIGN INVESTMENT STATISTICS AS OF THE END
OF 1973 ARE AS FOLLOWS:

A. U.S. DIRECT INVESTMENT-U.S. \$280 MILLION.

B. DIRECT INVESTMENT BY ALL COUNTRIES:

TOTAL INCLUDING U.S. \$560 MILLION.

OTHER COUNTRIES:

A. CANADA \$64 MILLION

B. PANAMA \$44 MILLION

C. FRANCE \$24 MILLION

C. DIRECT INVESTMENT IN THE U.S. BY COLOMBIAN:

\$4.25

2. THE SOURCE FOR THESE STATISTICS IS THE BANK OF THE
REPUBLIC (CENTRAL BANK). THE FIGURES REPRESENT REGISTERED
INVESTMENTS NOT NECESSARILY IDENTICAL WITH BOOK VALUE.
THEY EXCLUDE OLD PETROLEUM INVESTMENT, WHICH NEED NOT BE
REGISTERED. NON U.S. FOREIGN PETROLEUM INVESTMENT IS
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MINIMAL AND NEW U.S. PETROLEUM INVESTMENT HAS BEEN

NEGATIVE OVER THE PAST TWO YEARS. A FURTHER BREAKDOWN OF U.S. INVESTMENT IS NOT AVAILABLE FROM GOC, BUT SURVEY OF CURRENT BUSINESS ESTIMATES OF U.S. INVESTMENT EXPENDITURES OVERSEAS INCLUDE COLOMBIA.

3.NARRATIVE STATEMENT ON DFI CLIMATE IN COLOMBIA IS AS FOLLOWS:

COLOMBIA WELCOMES DIRECT FOREIGN INVESTMENT WITHIN THE TERMS OF ITS INVESTMENT REGULATIONS. WITH ITS STABLE INSTITUTIONS AND GROWING ECONOMY IT IS CONSIDERED TO HAVE A FAVORABLE INVESTMENT CLIMATE. NEVERTHELESS NEW INVESTMENT HAS BEEN SLOW IN RECENT YEARS, PROBABLY DUE TO THE FOLLOWING FACTORS: (1) UNCERTAINTY OVER THE APPLICATION OF THE ANDEAN PACT FOREIGN INVESTMENT CODE (DECISION 24) IN COLOMBIA; (2) UNCERTAINTY OVER THE FOREIGN INVESTMENT POLICIES OF THE NEW LOPEZ ADMINISTRATION(3) WORLD-WIDE RECESSIONARY CONDITIONS; AND (4) LOW GOVERNMENT PRICE CEILINGS ON PETROLEUM PRODUCTS WHICH HAVE DISCOURAGED EXPLORTION. NEW FOREIGN NON-PETROLEUM INVESTMENT WAS U.S. \$36.7 MILLION IN 1972, \$20.3 MILLION IN 1973, AND IS ESTIMATED AT \$24 MILLION FOR 1974.

COLOMBIA HAS BEEN IMPLEMENTING DECISION 24 IN A FAITHFUL AND GENERALY PRAGMATIC MANNER, CONSIDERING EACH

PROPOSED NEW INVESTMENT ON ITS MERITS. ORIGINALLY BANKONG (AS WELL AS INTERNAL MARKETING) WAS EXEMPTED FROM DECISION 24 IN COLOMBIA, BUT THE GOVERNMENT HAS RECENTLY PROPOSED A TIMETABLE BY WHICH ALL FOREIGN BANKS WOULD BE LIMITED TO A 49 PERCENT EQUITY POSITION WITHIN THREE YEARS. THERE HAVE BEEN UNOFFICIAL INDICTIONS THAT THE GOVERNMENTS EVENTUAL GOAL MAY BE MAJORITY COLOMBIAN CONTROL OF ALL INVESTMENT. NO OFFICIAL POLICY OR PLAN HAS YET APPEARED TO IMPLEMENT THIS, BUT ALL FOREIGN INVESTORS IN COLOMBIA SHOULD BE PREPARED FOR THE EVENTUALITY OF 49 PERCENT MAXIMUM EQUITY CONTROL. THE 14 PERCENT ANNUAL LIMIT ON PROFIT REPATRIATION APPLIES TO ALL NEW DIRECT FOREIGN INVESTMENT, EXCEPT THAT PRODUCT-SHARING ARRANGEMENTS MAY BE NEGOTIATED IN EXTRACTIVE INDUSTRIES.

THE COLOMBIAN GOVERNMENT RECENTLY RAISED THE PRICE FOR CRUDE PETROLEUM PRODUCED IN COLOMBIA FROM US \$4 A UNCLASSIFIED

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BARREL TOUT TO \$7 A BARREL FOR NEW PRODUCTION, WHICH IS EXPECTED TO PROVIDE THE INCENTIVE NEEDED TO RENEW EXPLORATION ACITIVTY. SIGNIFICANT NEW INVESTMENT, IN THE HUNDREDS OF MILLIONS OF DOLLARS, IS ALSO CONSIDRED LIKELY IN KNOWN GAS, COAL, AND NICKEL DEPOSITS.

THE COLOMBIAN ECONOMY GREW AT AN AVERAGE REAL RATE OF 6.4 PERCENT FROM 1968 THROUGH 1974. IN MID-1974

THE ECONOMY BEGAN A SLOWDOWN DUE TO WORLDWIDE RECESSIONARY CONDITIONS AND TO GOVERNMENT ANTI-INFLATION POLICIES. SINCE THEN INFLATION HAS EBBED AND THE ECONOMY HAS BEGUN TO RECOVER, SO THAT HEALTHY GROWTH RATES ARE EXPECTED FOR COMING YEARS. COLOMBIA PRESENTS AN EXPANDING DOMESTIC MARKET AND IS WELL PLACED FOR INVESTMENT AIMED AT THE WIDER ANDEAN MARKET. IT IS ALSO A MAJOR RECIPIENT OF U.S. AND MULTI-LATERAL ECONOMIC ASSISTANCE.

THOUGH AN INVESTMENT GUARANTEE AGREEMENT EXISTS, THE PROGRAM IS PRESENTLY IN ABEYANCE. THE DOUBLE TAXATION AGREEMENT WITH COLOMBIA AFFECTS ONLY SHIP AND AIRCRAFT OPERATIONS. THERE IS ALSO A BILATERAL TREATY OF PEACE, AMITY, NAVIGATION, AND COMMERCE IN EFFECT SINCE 1848.

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